Lloyds Bank Limited

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**** It is proposed to publish from time to time in Lloyds Bank Monthly Review signed articles by economists of standing, affording opportunities to exponents of different theories to state their case. The Bank is not necessarily in agreement with the views expressed in such signed articles.*

Unemployment Insurance

By Walter Elliot, M.P.

OUR present system of dealing with unemployment is obviously overstrained to the point of collapse. The recent Treasury memoranda laid before the Royal Commission on Unemployment Insurance bring this out most clearly. Furthermore, they state in so many words that the continuance of present conditions would quickly call in question the stability of the British financial system itself. No more urgent question therefore is before the public at the present day.

It is sometimes assumed that present difficulties are due to frauds or abuses, of recent development, to which remedies can readily be found. This is not so. Abuses have certainly grown and spread in recent years. But a reform of abuses alone would not restore the financial position. The troubles of to-day cannot be understood without following the developments which over a period of years have produced the present situation. These developments are shortly recapitulated below.

One word is necessary before embarking on a review of Unemployment Insurance. It is often said, "Why have 'unemployment' insurance at all? Why not pay men for doing something, instead of for doing nothing?" The answer is, briefly, that through the machinery of unemployment insurance the expenditure of £4¾ millions carries 100,000 persons for a year. On work schemes the expenditure of £4¾ millions carries some 10,000 persons directly and 10,000 indirectly, a total of 20,000 persons, also for a year only. To set the un-

employed to work would therefore require an expenditure of between £4 and £5 for every £ expended now. It is true that the product of their labour would be then available. But it is a matter for very grave question whether under present conditions this extra product would compensate for the difference between the £100,000,000 per annum odd which we spend to-day and the £500,000,000 which we should have to spend on a "work" basis. Even the gain in morale, obtained by having men at work instead of idle, is doubtful so long as the works in question are realized by all to be temporary and not permanent solutions of the difficulty, and doomed on their expiry to leave the nation faced with all the old problems, but with a load of debt multiplied five-fold. The system of unemployment insurance, strained and wrenched though it has been by events, represents an administrative machine of great competence and still greater potentiality. It is on that basis that I examine it.

Unemployment Insurance in one form or another has been carried out by the Trade Unions for very many years. State Unemployment Insurance in Great Britain dates back to the passage of the National Insurance Act of 1911.

By Part II of that Act those employed in building, engineering, and shipbuilding were compulsorily insured against unemployment. Contributions became payable on July 15th, 1912, and benefit on January 15th, 1913. About 2¼ millions of workers were brought in by this Act. The finance of the scheme was based, as in the case of National Health Insurance, upon a tripartite contribution from employers and employed and the State, paid into a fund, called in this case the Unemployment Fund.

At this period employment was good. The yearly trade union percentages of unemployment were, for 1912, 3·2 per cent; for 1913, 2·1 per cent; for 1914, 3·3 per cent. In 1914, following the outbreak of war, the unemployment percentages fell to negligible proportions (1915, 1·1 per cent; 1916, 0·4 per cent.; 1917, 0·7 per cent; 1918, 0·8 per cent). It was realized, however, that after the war unemployment might be very serious, and the scheme was extended in 1916 to cover all munition workers, and also the chemical, leather, and rubber trades. The total covered by both Acts was now about 3¾ million persons. The income of the fund was much greater than its expenditure, and at the date of the Armistice the fund had a favourable balance of £15,200,000.

At the conclusion of the war it was realized that demobilization problems fell entirely outside any actuarial provisions for unemployment, and the demobilization period was carried by the State as follows. An " out-of-work donation " was set up, paid wholly from Exchequer moneys, and without reference to the Unemployment Fund. This included ex-service men and civilian munition workers. The donation was paid from November 25th, 1918, to November 24th, 1919. For ex-service men and certain classes of merchant seamen it was continued up to March 31st, 1921, and in some cases longer. The numbers covered and the sums paid out were alike enormous. The number of " donation books " issued was—

Ex-service	3,653,000
Civilian	2,492,000
Total	6,145,000

The total amount paid out was—

Ex-service donation	£39,934,000
Civilian donation	21,725,000
	£61,659,000
Cost of Administration	4,400,000
Total	£66,059,000

The out-of-work donation was higher than the unemployment insurance benefit, and those eligible for either naturally drew upon the best. This relieved the Fund from many calls which would otherwise have fallen upon it. The favourable balance in the Fund continued to rise, and by November, 1920, had increased to £22,000,000.

The relief to the Fund afforded by these large Exchequer payments may be set off against the liabilities imposed by the next Unemployment Insurance Act, that of 1920. This still remains the principal Act. This Act came into force on November 8th, 1920, and extended the unemployment insurance scheme, with its tripartite contribution, to all manual workers, and also to all non-manual workers earning up to £250 a year. Certain large classes were excepted, the chief being agricultural workers (1,100,000), permanent railway servants, and those engaged in private domestic service (1,335,000). In all these the risk of unemployment was of a low order. The Act brought within insurance a total of 11¾ million persons. The numbers of those wholly unemployed at this time (November, 1920) were

only 500,000, insured and uninsured together, and this percentage is comparable with the percentages returned by the trade unions as unemployed for good years before the war (3–4 per cent).

Almost simultaneously with the coming into force of the new Act, industrial depression began. The numbers of those wholly unemployed rose from half a million in November, 1920, to nearly a million at the end of January, 1921, and to two million by the end of June. Those temporarily unemployed, and claiming benefit, who were fewer than 400,000 in November, 1920, rose to nearly 600,000 in January, 1921, and to over 1,000,000 by the end of May.

This wide-spread unemployment produced great distress and exceptional measures were taken to combat it. Here began the first breaches in the actuarial orthodoxy of the scheme. It must always be kept in mind that the liability of the community for the maintenance of the destitute dates back indefinitely in our law and practice. The choice did not lie between expenditure and no expenditure, but between expenditure by the State and expenditure by the local authorities. The expense of maintaining those not strictly eligible for insurance benefit from the poor rate would possibly have been less, but it would have fallen upon a financial system, the rating system, already severely strained, and strained most severely in the very areas in which the new burden would have weighed most heavily. A sharp rise did indeed take place in the poor rate, and large debts were incurred by the local authorities, particularly in depressed areas. There were some which were not merely borrowing, but borrowing to pay the interest on their borrowings. These burdens were, however, lessened by the existence of a central fund and by the payments made from it. The dilemma between taxes and rates is one of the main reasons why the conditions of State unemployment payments were repeatedly relaxed. It should also be borne in mind that even to-day, after the various increases which have taken place, the sums disbursed per beneficiary were actually much lower in many cases when paid from the fund than when paid from the Poor Law. The payment for a first dependant child, for instance, which is 2s. per week from the fund, is often fixed at 4s. by the Poor Law authorities.

The first of a series of amending Acts was passed in March, 1921. Benefits were increased, certain conditions were relaxed, and " uncovenanted benefit " was for the first time introduced,

i.e., benefit for which the recipient was not actuarially qualified. The intention at that time was that it should be repaid at a later date. It was soon seen that financial peril threatened, and a process of restriction began. In June, 1921, the benefits were reduced to the previous level. In November, 1921, contributions were raised, and the principle was introduced of benefits for certain dependants, namely, a wife or invalid husband, and children at school.

In 1922 it was enacted that " uncovenanted " benefit should not be paid continuously throughout the year, but with two breaks, each of several weeks duration, with the object of spinning out the resources of the Fund as far as possible, and also of stimulating the recipient to realise that the benefit received was temporary and not permanent. It is characteristic of the difficulties of unemployment insurance that these breaks immediately became known as " the gap." In 1924 the Labour Government passed its first amending Act abolishing the " gap," and making the payment of benefit continuous. This was followed by a further Act, which increased rates of benefit, reduced the waiting period before benefit could be drawn from 6 days to 3 days, and increased the benefit for a dependant child. It also made " extended " or " uncovenanted " benefit a statutory right, instead of being at the Minister's discretion as it had been heretofore. It was anticipated that trade improvement would continue and that these expenses could be borne without increasing the contributions.

In 1925 the Conservative Government realising that the debt of the Fund had once again begun to increase, restored the restrictions applicable to certain classes of dependants, and increased the waiting period again to six days. A Departmental Committee was then set up under the chairmanship of Lord Blanesburgh, which in 1927 produced the " Blanesburgh Report." This Report was signed by all the members of the committee, including Miss Bondfield, the present Minister of Labour. An Act embodying most, though not all, of the recommendations of the Committee was forthwith prepared, and passed in 1927. This Act reduced standard rates of benefit, increased rates for certain dependants, and set up a new intermediate class of young persons, between 18 and 21, to whom lower rates of benefit were paid. It was clear, however, that the main problems of unemployment insurance were, first, to what extent can limiting conditions be reasonably imposed upon

insured persons applying to draw benefit; and, second, what is to be done with those persons who have exhausted their rights and are no longer an insurance proposition at all? These are the two questions with which we are still concerned to-day.

The Blanesburgh Committee decided that the Fund could be made to balance, on a scale of benefits and qualifications definitely laid down in the Report, with a payment by the recipient of not less than 30 premiums within the two years previous to the receipt of benefit. (The cost of each premium is at present 8d. from the employer, 7d. from the employee, and 7½d. from the Exchequer.) The test qualification over which most controversy subsequently raged was that the applicant must be "genuinely seeking work." It is desirable to follow up the history of this test, since it throws much light upon the two fundamental questions to which we have referred above. The provision that an applicant should be genuinely seeking work did not appear in the original Unemployment Insurance Acts. It appeared for the first time when "uncovenanted benefit" was introduced. The reason for this will readily be recognised. So long as an applicant is seeking to draw a benefit to which he is actuarially entitled and which it is possible for him to exhaust, he will himself be the most rigorous scrutineer of his own claim. When, however, he is applying for a discretionary grant, which can be renewed as often as the dispenser in his discretion thinks fit, the onus of probing the claim shifts from the applicant to the dispenser. Thus it was that the "genuinely seeking work" proviso, first introduced under the Coalition Government to investigate uncovenanted benefit, was found to have been extended to both covenanted and uncovenanted benefit, in the Labour Government's own Act of 1924, piloted by Mr. Tom Shaw, then Minister of Labour. The "relief" aspect of unemployment benefit was spreading back from the uncovenanted to the covenanted benefit. It is this confusion between insurance and relief which is one of the greatest blots upon the scheme to-day.

But the question of conditions for benefit payment cannot be considered without at the time broaching the next. What is to become of the persons who have exhausted their insurance rights? The Blanesburgh Committee considered that trade would continue slowly to improve and that there would in the near future be so small a proportion of the insured population who could not satisfy the very easy qualification, of work for

30 weeks (or some part of 30 weekly periods) during the two years previous to application, that they could be looked after by the local authorities in the normal way. Nevertheless they admitted that the "30-stamp qualification" could not at that moment be brought into operation. It was qualified for a period known as "the transitional year" by allowing that persons who had paid not less than eight contributions within the previous two years, or thirty contributions at any time, should be eligible. When the time came (February, 1929) to put the disqualifying provision into effect it was found that the expected improvement in trade had not taken place, and the transitional period was again extended. When the Labour Government came to deal with the question in 1929–30 it was found again that the class of those who had exhausted their rights represented so large a number, and so considerable an expenditure, that the solution of striking them off the books of the Ministry of Labour, and leaving them to the local authorities or to the play of chance, could no longer be contemplated as adequate.

They represented the uninsurable risk. Up to this time they had been carried on the Fund, on one excuse or another, in the hope that their numbers would prove small enough to be ultimately manageable without special provision. The State now accepted this risk, and took it over by a 100 per cent Exchequer grant, distributed through the Ministry of Labour at the Employment Exchanges. This was paid out under exactly the same conditions as an insurance benefit for which the recipient had actuarially qualified. It is this risk, translated into pounds, shillings and pence, which has wrecked the current Budget and is likely to wreck that of next April. It was estimated in 1929 by the Government, when passing their Bill, at £10½ millions per annum; it actually reached in 1930 £22 millions per annum, and is estimated for 1931 at £35 to £40 millions or even more.

It was, hoped, however, that the taking over of this risk by the Exchequer would relieve the strain on the Fund so far that it would henceforth "live of its own," i.e., upon its statutory revenues. The income of the Fund is £45,000,000 per annum, made up of £14,000,000 from employees, £16,000,000 from employers, and £15,000,000 from the Exchequer. This enables the Fund to carry 1,250,000 persons. At any higher figure the Fund begins to run into debt. It is common knowledge that this figure has for many months past been greatly exceeded. In addition to the Exchequer grant for the "uninsurable," the

Ministry of Labour is at present borrowing about a million pounds a week to pay its legal and contractual liabilities to the insured.

Borrowing for the Fund is not simply an unjustified financial shift. Frequent variations, either of rates of contributions or rates of benefit, are naturally to be avoided so far as practicable, and the flywheel action of a fund from which advances could be secured in bad trade, to be made good when conditions improved, is perfectly legitimate. In fact, the balances of the Fund, though between 1920 and 1923 they passed from a credit of £21¾ millions to a debit of £15 millions, turned again in that year to a more favourable prospect. Between 1923 and 1924 the Fund balanced, began paying off its debt, and by July, 1924, had brought down its debt from £15 millions to £6½ millions. The fatal error was then made of thinking we were in a slump, whereas we were in a boom. The Labour Government of the day held that it was unreasonable that debt should be so rapidly repaid in a period of depression. They modified the provisions, increased expenditure, and the debt of the Fund once more began to rise, as previously stated. Other Governments both Conservative and Labour, have since assumed, or been advised, that trade was likely to improve. These predictions have been falsified. First, there was the General Strike of 1926, and the coal dispute, which stopped an improvement, at the beginning of which the unemployment figure had gone below the million mark for the first time in several years. Later, when recovery appeared to be in prospect, there was the great slump of 1930, which made it clear that not for many years would the optimistic predictions of 1924–26 be fulfilled.

Borrowing, therefore, is not under present conditions the adjustment of a burden, but merely flinging it down on the roadside. The borrowing of sums which can never be repaid is the second great blot in the scheme to-day. A reduction of the strain on the Fund proper, either by a reduction in numbers qualifying, or by a reduction of benefits, or by an increase of contributions, is under present conditions unescapable. This involves hardship to either employers, employed, or taxpayer, or, more probably, to all three. It demands far more than a mere reform of " abuses."

This survey of the development of unemployment insurance and the successive problems which have arisen is necessarily short and incomplete. Nevertheless the line of reform stands out quite clearly. It is evident that there is an " out-of-work "

problem, covering the ordinary risk of the hiatus between the end of one job and the obtaining of the next. This can be insured against. A scheme to deal with this requires that the limitations imposed upon payments out should conform to the proposition that payments out are being made of right and not of need, and the tests should get back as nearly as possible to earlier and simpler conditions. There is next an "unemployment" problem. A proportion of workpeople, how large we do not yet know, though nominally available for work, will never find employment except in periods of extreme shortage. It is beyond their power to keep up any regular payment of premiums such as would actuarially correspond to the right they represent. There is also a much larger section of the community in areas or trades from which employment has entirely ebbed away, whose claims to actuarial benefit are absolutely certain to be exhausted, and yet who are themselves fit and anxious to re-engage in the normal daily life of industry. It is clear, therefore, that the scheme as a whole should comprise—(1) out of-work insurance, and (2) unemployment relief.

It is difficult to conceive that the insurance scheme proper can operate save on a basis of *limited liability*. The theory once generally held, and still by some maintained, that unemployment is a risk which can be insured against as a whole, like fire or ill-health, is a fallacy. The psychological element bulks in unemployment out of all proportion to its importance in other fields. The desire for leisure, to have nothing to do, is, after all, present in the make-up of every one of us, and the desire for ill-health is not. Therefore the whole question of abuses cannot be tackled by penal provisions, however closely drawn or strictly applied. They can only be dealt with by recognising frankly that to a great many persons there is an element of saving as well as of insurance in their unemployment provision. A savings account which is always replenished from some mysterious source will inevitably be abused by some persons, however carefully the cheques upon it are examined. There is only one limitation on a bank account which all of us recognise, and that is represented by the letters R. D. Therefore the insurance scheme must have a limited liability for payments out. If this can be established, benefits, contributions and conditions can be much more easily settled, for they can be arranged to suit the beneficiaries, who are also the contributors.

The second part, the unemployment relief scheme, represents at once an older and a more difficult problem. It is clear from the very nature of the case that it cannot be contributory in character. It is also clear that owing to the de-localisation of modern industry its finance must be mainly, if not wholly, from central as against local sources. The West Lothian oil-shale pits, for instance, may be thrown idle and scrapped because of a cheapening of oil fuel, which brings great advantage to the oil-tanker shipyards, the oil-refining ports, and the petrol-filling stations. It is no real answer to the riddle of finance to raise the poor rates of the West Lothian shopkeeper or blacksmith, and quench even the small sparks of economic life which are still alive there. But insurance is insurance and relief is relief. The conditions applicable to one are not applicable to the other.

There is at present a Royal Commission examining all these questions and under pledge to make an early report. We must not imagine that it will be an easy matter to translate recommendations of economy or reform into practice. The figure of 2,600,000 unemployed represents only about half of those who came up to the Labour Exchanges within the last twelve months. No fewer than 5,000,000 persons were entered on the Labour Exchange books last year. Allow for the dependants of each and you certainly must count the numbers affected as ten to fifteen million or even more. Consider also those who feel themselves within the sweep of this risk, and you have reached a formidable proportion of the whole population. A fund which balances upon a figure of 1,250,000 persons and is carrying, after all allowances have been made, at least 750,000 persons in excess of that, cannot be restored without something in the nature of a major surgical operation. Nor will the additional burdens, which in the first instance this operation must cast on the Exchequer, be light. It will require the full energy of a strong government, backed by a public opinion drawn not from one but from all classes, before the reforms which all agree to be desirable can be translated into practice.

The Estimates

ALTHOUGH the Chancellor has yet to open his Budget, the estimates for the financial year 1931–32 offer a fair idea of the bill the nation has to meet and also of the efforts, if any, that the Government has made in the direction of economy.

Frankly, the results are disappointing. Taking Supply Services in bulk, the total bill comes to £439·0 millions, against net "adjusted" estimates for 1930–31 of £431·8 millions. Thus there is a net increase of £7·2 millions, and inasmuch as the "adjusted" figures for 1930–31 include supplementary estimates presented during the year, while the 1931–32 figures do not, there is reason to fear that in the end the increase will be greater still. These fears are intensified by the knowledge that the original estimates for 1930–31, presented a year ago, and so excluding supplementaries, only came to £417·9 millions, or as much as £21·1 millions less than the estimates for the coming year. Moreover, compared with those for 1924–25, the 1931–32 estimates show the prodigious increase of £85·9 millions. When the increase over 1930–31 is contrasted with suggestions made in an article in the January issue of the "Review" pointing to possible savings under these headings of £34·9 millions, and when it is realised that the deficit for the financial year 1930–31 is in the region of £20 to £30 millions, this increase in expenditure is most disappointing, especially as there is every reason to fear that on the basis of present rates of taxation the revenue for the coming year will show an appreciable decline.

A comparison of the estimates for the two years not only proves that if any substantial economies are to be effected a change of Government policy is needed, but also arouses the fear that such purely administrative economies as have been effected are of a partial and inadequate character. The following table shows the principal changes in expenditure between the two years.

Differences between 1930–31 and 1931–32 Estimates.

Item.	Increases.	Item.	Decreases.
	£ mill.		£ mill.
Ministry of Labour ..	7·7	Beet Sugar Subsidy ..	3·8
Education	3·2	War Pensions	1·8
De-rating Grants	1·7		
Old Age Pensions ..	1·3		
Widows' Pensions ..	1·0		
Total	14·9	Total	5·6

As will be seen, the increases add up to £14·9 millions and the decreases to £5·6 millions. Thus these big items alone account for an increase in expenditure of no less than £9·3 millions, or £2·1 millions more than the final increase over the whole field.

Now if they be examined, it will be seen that in certain cases the changes are purely automatic. This is certainly true of the three pensions items, where expenditure is governed mainly by changes in the number of beneficiaries. The increase in de-rating is also beyond the direct control of the Government, and in actual fact it may possibly be explained by recent legal decisions on the point of eligibility for the benefits of the scheme. The big reduction in the Beet Sugar Subsidy is also automatic, for in the terms of the original agreement the rate of the subsidy was this year due to be reduced. On the other hand, the increase in the Education estimates may or may not be automatic, and that is a matter that might well be probed in the House of Commons. The same applies with far greater force to the big increase of nearly £8 millions in the Ministry of Labour estimate. This increase is due to recent legislative changes affecting the unemployment insurance scheme, and here clearly a question of policy is involved. It is, of course, possible to urge that the increased cost of unemployment insurance, whether such cost is provided for in the estimates or met by temporary borrowings, is the automatic consequence of the increase in unemployment. The question is fully dealt with on previous pages of the "Review," and so little need be said here, beyond making the ominous point that when the year is over it may well have turned out that the extra £8 millions allotted in the estimates will have proved inadequate. It is, however, fair to say that the Government could have foreseen all the changes enumerated above, and could have known in advance the size of the net addition they would between them make to the nation's expenditure. With this knowledge in their possession, they should have striven to make at least corresponding economies elsewhere, whereas the estimates show that they have failed to do so.

It is true that numerous small economies, comparable in many cases with those suggested in the January "Review," are to be found scattered throughout the detailed estimates. They are offset, however, by certain increases, among which must be included £37,000 on revenue buildings, £43,000 on police, £47,000 on empire marketing, £327,000 on the Ministry of Health, £250,000 on the Air Ministry, and last, but most ominous of all, £23,000 on stationery; and these reduce the net saving on administration to a mere £2·1 millions. Thus the Government, in addition to being involved in certain large increases of expenditure through decisions of policy or circum-

stances beyond their control, have failed to effect *all* those small but comprehensive economies which a large body of authoritative opinion feels ought to be made over the whole field of national expenditure. In fact, the most encouraging reduction of all is one of £2·0 millions in the Post Office, which, strictly speaking, comes under the heading of self-balancing expenditure, and so outside the field of Supply Services.

The net result is that Supply expenditure comes to £439 millions. Allowing £9 millions for Consolidated Fund Services, and assuming that Debt charges are fixed at £360 millions as in the previous year, the total bill to be met in 1931–32 is no less a sum than £808 millions. Revenue for 1930–31 yielded up to March 21st £739 millions. These figures make it clear that on the existing basis of taxation it is practically out of the question to hope to raise £808 millions in the year to come. Moreover, these figures take no account of the large and undefined amount which will have to be borrowed by the unemployment insurance fund unless drastic and speedy alterations are made in the system of unemployment insurance. It is generally agreed that the limits of direct taxation have been reached, and that any further increase in the rate will only add to the hardship of the tax payer and may in the end cause a natural reduction in yield. In these circumstances it is disconcerting to see from the estimates that not only have the Government presented them without making these drastic changes in policy which alone can permit of substantial economies, but have even failed to make minor economies over the whole field of Government expenditure. Their failure in this last respect becomes more disappointing when account is taken of the savings arising out of the recent reduction in the Civil Service bonus. It is difficult to escape the conclusion that despite the many and weighty warnings recently addressed to the Government, they have failed to arrest the drift towards heavier and heavier expenditure which has been so much in evidence during recent years and is leading the country to disaster.

Finance and Industry

(8) The Clearing of Cheques (b)

THE previous article in this series explained the main system of clearing cheques, whereby a cheque was paid in at a branch of one of the ten clearing banks, transmitted to the Head Office of that bank, passed through the

London Bankers' Clearing House to the Head Office of the clearing bank upon which it was drawn, and finally despatched to the particular branch at which it had to be paid. It was also stated that there were numerous special cases, which fell outside the scope of the main system. These must now be considered.

Take first of all the fairly common case of a cheque drawn upon a bank in a village or country town and paid into another bank in the same town or village. Clearly it would be a waste of time for this cheque to make the complete round of the collecting bank's Head Office, the London Clearing House, the paying bank's Head Office, and so back to the branch upon which it was drawn. Instead of this unnecessary procedure, each of the various banks in the town or village takes it in turn to be " at home " to the remainder, and to hold a local " clearing," which is attended by representatives of all the banks in that town. All local cheques are cleared in this way, outstanding differences between the various banks being settled through their respective Head Offices.

Eleven provincial cities are of sufficient importance to contain clearing houses of their own, known as Provincial Clearing Houses. These cities are Birmingham, Bradford, Bristol, Hull, Leeds, Leicester, Liverpool, Manchester, Newcastle-on-Tyne, Nottingham and Sheffield. All except Bradford, Leicester, Nottingham and Sheffield contain branches of the Bank of England, and so differences are settled by payments to or by the Clearing House through the medium of accounts at the branch of the Bank of England, just as is done at the London Clearing House, as described a month ago. At the four centres where there is no branch of the Bank of England, differences are settled through Head Office as in the case of local clearings. Membership of a Provincial Clearing House is confined to those banks situated in the provincial city itself, or within easy and immediate reach of it, and where a city contains several branches of the same bank, each branch has a seat in the Clearing House. Except where both the paying and collecting banks are members of the same Provincial Clearing House, cheques are cleared through the " country clearing " in London in the usual way.

This completes the survey of all cases where branches of the ten clearing banks alone are concerned. There are, however, many banks which are not members of the London Clearing House, and when these are involved, special arrangements are

necessary. The most prominent of these special cases is when the Bank of England itself is involved. In popular language, the Bank of England " clears one way." Cheques drawn upon the clearing banks and paid into the Bank of England by its customers for the credit of their accounts, are presented by the Bank of England to the paying bank through the London Clearing House. On the other hand, as all clearing banks have accounts at the Bank of England, all cheques drawn on the Bank of England and received by them are paid by them direct into the Bank of England for the credit of their accounts there.

The City of London also contains numerous foreign and colonial banks, accepting houses, merchant bankers and other financial institutions upon whom cheques and drafts are continually being drawn. When these are paid into a branch of one of the clearing banks, they are sorted and listed and despatched to Head Office in the usual way, and when they reach Head Office, they pass to the " Walks " Department. Representatives of this Department, known as " walk-clerks," take these drafts with them on a walk round the City, during which they visit every one of these institutions, present their drafts, and (if all is in order) obtain payment in the form of cheques or " Bankers' Payment Tickets " drawn by these institutions upon the particular clearing bank which acts as their London banker and agent. These cheques or tickets are passed through the clearing in the usual way. On the other hand, a cheque drawn on a British clearing bank and paid into the London Office of, say, a foreign bank, is transmitted by that foreign bank to its London agent for collection, and that agent, who is one of the clearing banks, presents that cheque for payment through the Clearing House.

Scotch and Irish banks have their own clearing systems, but as all Scotch and Irish banks keep London agents, they are linked up directly with the London clearing system, so that there is no difficulty in clearing cheques drawn on a bank in one country and paid into a bank in another.

Drafts drawn by one bank upon another—as when a customer instructs his bank to make periodical payments on his behalf—are readily assimilated into the clearing system. So too are cheques cashed by special arrangements for customers of one bank at a branch of another. The only difference here is that the receiving bank credits itself and not a customer with the amount involved, and so makes good the loss of the currency with which it has parted.

In conclusion, it may be of interest to explain how long it takes to complete these operations. Take the extreme case, namely, that of a cheque paid in at a branch bank in the West of England, and passed through the Country Clearing in London to a branch bank in Yorkshire. If the cheque is paid in on Monday, it will be posted that night to the collecting bank's Head Office. It reaches the Head Office in London on Tuesday morning, and is at once passed through the Country Clearing to the Head Office of the paying bank. It is posted that night to the branch in Yorkshire, and reaches there on Wednesday morning. If the cheque is not honoured, it is at once posted direct to the collecting branch in the West Country, which it reaches on Thursday morning. The result is that if the payee in the West of England hears nothing to the contrary by Thursday he can rest assured that the cheque has been honoured.

The fate of cheques passing directly through the Town Clearing is known by five o'clock on the evening of the day on which they are paid in. Metropolitan cheques are cleared the day after they are paid in, and if dishonoured must be returned by post to the collecting bank the same day as they were cleared. Thus the fate of a Metropolitan cheque paid in on Monday will be known to its payee by Wednesday morning.

During 1930, the London Clearing House handled cheques and other documents of a total value of £43,558,354,000. This consisted of :—

Town Clearings	£38,782,577,000
Metropolitan Clearings	£1,812,146,000
Country Clearings	£2,963,631,000

The eleven Provincial Clearing Houses handled between them in 1930 cheques, etc., of a total value of £1,348,423,000, but owing to the trade depression this was 15·6 per cent below the 1929 total.

The magnitude of these figures shows how great is the task that the clearing system has to perform, and it is a testimony to the genius of British banking that it has evolved a system which is at once extremely simple and also is so successful in handling with a minimum of error and delay the millions of cheques which together make up these huge totals.

Notes of the Month

The Money Market.—The steady inflow of revenue helped to keep money tight during March, especially in the early part

of each week when rates of 3 to $3\frac{1}{2}$ per cent were by no means uncommon. Part of the money taken off the market in the form of revenue was subsequently returned, as during the month the Government were redeeming Treasury bills at the rate of £15,000,000 a week, but the net effect of these big movements of funds into and out of the Exchequer was to immobilise a large amount of money which otherwise would have been at the disposal of the market. The reason why money was especially tight early in the week was that applicants for new Treasury bills preferred to take those that had to be paid for on Monday, Tuesday and Wednesday of each week, as those dated later in the week matured in June at the week-end, which is always an inconvenient date. Discount rates were very firm at the beginning of the month, $2\frac{11}{16}$ per cent at one time being quoted for three months' bills. Subsequently rates weakened to $2\frac{9}{16}$ per cent or even less, due to the fact that as the end of March approaches the three months' rate relates to the popular end of June maturity. There is now a fair amount of French and American money invested in sterling bills, and it is known that tenders on French account have lately been made each week for Treasury bills. It is important that this money should be retained in London, or else there would be a danger of the renewal of the gold drain to Paris. For this reason it is essential that London discount rates should be maintained at a level high enough to be attractive to foreign centres, and so it is to be hoped that their fall below $2\frac{5}{8}$ per cent—which it is agreed is a desirable rate from that point of view—will only be temporary.

The Foreign Exchanges.—During the past few weeks, sterling has definitely gained ground, and the most striking proof of this is that on 17th March the Bank of England secured part of the new Cape gold on offer in the market at a price only $\frac{1}{4}$d. an ounce above its statutory buying price. This was the first gold the Bank had bought in the market for practically a year. As regards detailed movements, New York has been steady at a shade under $4.86, and the Paris rate has risen spectacularly from frs. 123·91 in the middle of February to frs. 124·20 a month later—that is from the export gold point practically to parity. The pound also improved against Dutch florins and Swiss francs. German marks, on the other hand, appreciated mainly as a result of transfers of French funds to Germany through London. Spanish pesetas also improved, on the news of the progress being made with the preparation of the

stabilisation scheme; and South American currencies, notably the Argentine peso, were also better. Thus, movements in general have all been in the right direction, but it is still necessary to emphasise the fact that the pound's strength against both the franc and the dollar is still more apparent than real. It is noticeable that the appreciation in the spot Paris rate has been balanced by a rise in the premium of the three months' forward rate over the spot rate, showing that purchases of spot sterling have been balanced by equivalent purchases of forward francs. The only possible deductions from this coincidence are that both operations arise from the transfer of French short money to London for investment in three months' sterling bills; and that those responsible for these operations invariably cover themselves by forward purchases of francs, so as to be certain of getting their money home again, if they so desire, when these bills mature. In short, the improvement in the spot rate is entirely due to the rise in London discount rates to a level which is attractive to Paris financial interests. It is not due to the normal basic forces of trade and exchange, and if London discount rates were allowed to sag to unattractive levels, there would be an immediate collapse in the Paris rate, both spot and forward, and even a danger of an outflow of gold

The Stock Exchange.—Though conditions generally remain inactive, there is a more confident undertone, and prices generally are better than they were a month ago. The gilt-edged market has recovered much of the ground lost in February, and in the foreign bond market there has been a noteworthy improvement in the Young Loan, which possesses a significance that extends beyond the Stock Exchange. Australian stocks, too, were a little better, until the threat of default by New South Wales in respect of her sterling loans caused a general unsettlement. South American issues have also rallied on the opening of the Argentine exhibition. Home rails improved sharply on the announcement of the compromise award of the National Wages Board, with its prospects of an amicable outcome, but have since been irregular. Argentine rails were weak at one time on disappointing dividend declarations, but have since recovered. The industrial market has recently been steadier. There has been a good demand for electricity supply shares, and at times for those in motor manufacturing concerns. Textiles have been irregular. The oil market was affected by the recent reduction in the price of petrol. Rubber shares were marked

up sharply on rumours of a forthcoming agreement between British and Dutch interests on restriction, but the movement was largely professional, and has since been followed by a pronounced reaction. Mining shares, both Kaffirs and base metals, have been steady with a definite inclination towards an improvement. New issues of the month included £2,000,000 3½ per cent. redeemable debentures of the Rio Tinto Company, offered at 91½; £900,000 4½ per cent. 1960-70 Gold Coast stock, offered at 98; and 175,083 £1 ordinary shares in the National Canning Company, offered at par. These met with a good reception, but the amount of new issues coming forward is still below normal.

Overseas Trade.—The February trade returns were even more disappointing than those of the preceding month, and the statistics for the first two months of the year show how serious the decline in our foreign trade is :—

Description.	Jan.—Feb. 1930.	Jan.—Feb. 1931.	Increase (+) or Decrease (−)
	£ mill.	£ mill.	£ mill.
Total Imports	190·1	139·2	−50·9
Retained Imports	173·3	127·3	−46·0
Raw Material Imports	54·2	31·1	−23·1
Total Exports, British Goods	110·2	69·4	−40·8
Coal Exports	8·8	5·4	− 3·4
British Manufactured goods, Exports ..	85·8	52·8	−33·0
Re-exports	16·8	11·9	− 4·9
Total Exports	127·0	81·3	−45·7
Visible Trade Balance	−63·1	−57·9	+ 5·2

The detailed trade returns record many serious contractions in the volume of our export trade. Coal shipments for the first two months of 1931 were only 6,804,000 tons, against a corresponding figure of 10,229,000 tons in 1930. Iron and steel exports have similarly fallen from 646,000 to 311,000 tons, those of machinery from 89,900 to 60,700 tons, those of cotton piece-goods from 613 to 302 million square yards and those of woollen tissues from 18·6 to 12·3 million square yards. The only thing that can be said is that if and when trade begins to improve, the export returns are always the last to reflect the recovery. Thus the poor February results are not necessarily inconsistent with the slight indications now apparent that the depression is reaching its end.

Home Reports

The Industrial Situation

If anything, the general outlook has recently become a little more hopeful. The fall in wholesale prices has for the moment been checked, no appreciable decline having been registered since early February, and there has been no spectacular increase in unemployment since the New Year. The cessation of the drain of gold to France holds out hopes of greater monetary stability, and the February increase in bankers' acceptances is some slight evidence of more active international trade. At home, the industrial reports contained in this issue of the Review are, in many cases, more encouraging than those of recent months, and in industrial circles a slightly more optimistic tone has lately been noticed. The most disappointing features of the current situation are the poor February overseas trade returns, and the absence of any genuine improvement in the iron and steel and shipbuilding industries. The textile trades, however, are definitely better. On the whole, there is some ground for hoping that the depression has reached its worst point, but it is still much too early to say that the recovery has begun.

Agriculture

England and Wales.—According to an official report, outdoor work was retarded in February by unfavourable weather, and very little sowing was practicable. Autumn-sown crops were in good condition, but growth was slow. Lambing was mainly confined to Lowland flocks in certain areas, but the fall to date indicated an average result for the season. Livestock made normal progress, but milk yields were less in some districts.

Scotland.—The first half of March was exceptionally unfavourable for farmers, the land being frost-bound and cultivation seriously retarded. Conditions have since improved, and the requirements of sowing and planting have led to considerable activity during the last few weeks. Grain remained dull at unremunerative prices, and potatoes are almost the only source of profit at the moment. During the past month livestock prices have reached a lower level than for many years.

Coal

Business in several areas has been interrupted by the operations of the quota schemes, as by early March several collieries had exhausted their quotas for the first quarter of the year. Export business has been a little better, and demand for house coal was temporarily stimulated by the cold weather.

Hull.—Owing to low outputs, there is a scarcity of coal for export, and prices for all qualities are higher.

Newcastle-on-Tyne.—Northumberland coal continues in good demand, and the collieries have maintained schedule prices with a slight advance in some cases on minimum figures. Durham collieries are having difficulty in keeping fully employed, the only strength being in first-class bunker descriptions.

Sheffield.—Export demand is fair and with the reduced output at the pits there is some difficulty in meeting it. Best hards continue firm, but all descriptions of smalls have advanced. House coal is scarce and certain qualities are difficult to obtain. Owing to the depression in the heavy trades there is sufficient industrial coal available to meet present demands.

Cardiff.—Practically all classes of large coal are comfortably placed but there is no difficulty in obtaining supplies at schedule prices. Smalls of all classes are abundant, and sized products are not moving off too readily. It is reported that the Welsh collieries have bought 100,000 tons of Russian pitprops for delivery this season. This is nearly three times the quantity taken last year, and it is expected that Russian wood will displace to some extent timber from the Baltic.

Newport.—The quota system is having a serious effect on certain collieries, and there have been cases of delays in loading vessels and supplying customers' needs, owing to the restrictions on the outputs of particular collieries.

Swansea.—Employment has been fairly steady since the award in regard to wages was published, but there has been a distinct falling off in orders for dry steam coals, of which collieries are now carrying considerable stocks.

East of Scotland.—In Fifeshire the export position is still weak. Washed fuels are in poor request, and prices for all qualities show no improvement. In the Lothians splint coal is slightly better, but the position of other classes is less satisfactory.

Glasgow.—Wintry weather stimulated the home demand for coal and a pressure of orders created a scarcity of some of the better class household qualities. Owing partly to the restriction of output in conformity with the quota arrangement, several collieries were unable to give supplies. Rather better orders were received from foreign countries, but owing to the keen competition of Poland, exporters booked only a restricted volume of business, mainly for prompt despatch.

Iron and Steel

Steel production for February was 486,000 tons, or 84,000 tons more than in January, when operations in Scotland were interrupted by the holidays. There is, however, no real improvement, and two large furnaces have lately been blown out.

Birmingham.—Forges are still working short time, and Continental competition is developing in the lower grades.

Sheffield.—More than two-thirds of the open hearth furnaces are standing idle, yet difficulty is being experienced in disposing of the reduced output.

Newport.—All branches of the trade in the district are receiving very inadequate orders, even for their restricted output.

Swansea.—Business is still slow and difficult. Tinplates are a steady, but quiet market, at about 15s. 3d. to 15s. 6d. per basis box f.o.b. Swansea.

Glasgow.—Home requirements are restricted in all branches, and the heavy steel trade is still suffering from the depression among shipbuilders. Overseas demand for iron and steel has shown no improvement, and Continental competition is still keen.

Engineering

A slightly better undertone is noticeable in the industry, and enquiries are beginning to come forward more freely.

Birmingham.—The electrical section is just holding its own. Motor car and accessories manufacturers are fairly busy, but orders are not up to expectation. The railway carriage and wagon trades are still working on old orders, but there is a scarcity of new contracts. Makers of specialised machine tools have fair orders in hand for re-equipment work.

Coventry.—The motor trade is on the whole very flat, especially for the time of the year. An improvement in sales of

motor cycles is reported. The pedal cycle trade keeps fairly steady. A slight improvement in the machine tool trades, both as regards enquiries and sales, is noted for the home market and a large foreign order has also been received. Competition, however, is reported to be increasingly keen.

Luton.—The heavy and light lorry and motor car trades seem to be fairly busy. Hydraulic engineers report that trade is patchy and orders slow in coming forward. General engineers find business a little better and prospects more favourable.

Sheffield.—Certain branches of the tool trades show a slight improvement. The home demand for twist drills, cutters, joiners' and farm tools is better, but exports are lower than they have been for many years. The file trade shows more activity, and in the hack-saw branch business is fairly good.

Wolverhampton.—Electrical engineers are rather better off for orders. Motor-car manufacturers are busy preparing for the new season, but activity is below the normal for this time of year. There is a steady call for heavy passenger vehicles, but makers of commercial vehicles are not so busy.

Glasgow.—In the marine branch conditions are particularly unfavourable owing to the depressed state of the shipbuilding industry. The output of tonnage is still declining, and there is a scarcity of new contracts.

Metal and Hardware Trades

Birmingham.—Business is depressed, and most of the rolling mills are working short time. There are a few orders coming forward for immediate requirements, but there has been a tendency lately to enter into some forward commitments. The severe weather in early March held up building, and this re-acted unfavourably on the hardware trades. Manufacturers of domestic hearth furniture and specialities are busier.

Sheffield.—The usual spring revival in the cutlery, silver and E.P.N.S. branches has not yet manifested itself. Demand is poor both at home and overseas. An improvement is expected now that the Indian boycott has been lifted, as it is known that dealers' stocks are low and Sheffield goods are preferred. The bulk business being done at present is for the catering trade, coupon firms, and government contracts.

Cotton

Liverpool.—The spot market has shown more activity, and the daily turnover has risen to an average of 6,000 to 7,000 bales. A change in sentiment following upon the settlement of the trade dispute in Lancashire and the more cheerful aspect in India was largely responsible for the increase of business, but so far little improvement in the effective demand has been experienced from either source. In the case of India, there are large stocks still to be liquidated, and, in addition, there is the question of tariff uncertainties. A feature has been the relatively large import of cotton from Russia, which in the case of one exceptional period of seven days amounted to 62,000 bales; this is being readily disposed of to Lancashire spinners at a price of about ½d. per lb. below that for a similar grade of American. Further shipments of this growth are expected. A large business has been done on some days in Peruvian, and there has been a good demand for Brazilian, which, however, is this season in short supply. Egyptian growths were in limited request. In the futures market, after a period of pronounced firmness, prices eased off considerably, the market evincing a lack of confidence in the higher basis established at the end of February. Statistically, the position remains essentially bearish. World consumption figures show no material increase, visible stocks continue to mount—those of American being nearly three million bales higher than at this time last year—while the farmers in the Cotton Belt are manifesting little eagerness to respond to this season's campaign for a substantial reduction in acreage. Moreover, doubts concerning the intentions of the Farm Board in America in regard to its holdings create nervousness on the market, which has not been diminished by reports of dissension amongst the controllers of the Board as to future policy. Nevertheless, in view of the magnitude of its commitments, it is thought unlikely that the Board will run the risk of breaking the market by any precipitate selling.

Wool

Bradford.—Notwithstanding the big advance in raw material values which has taken place during the current sales in London, offerings are being freely taken up by both Home and Continental buyers. There is not, however, any great response yet from

the industry, and it would appear that spinners and manufacturers, being more or less covered for their immediate requirements, are content to await further developments.

Huddersfield.—Wool values have hardened, but the fine worsted section remains quiet and export trade has shown a further tendency to contract. A slightly better tone prevails in the woollen cloth industry, and some manufacturers of ladies' tweed goods are very busy.

Hawick.—Spring orders are almost completed and confirmations for next winter are slow in coming forward, with the result that short time is general in most of the Border tweed factories, and output is little more than half of capacity. Stocks are low, and with wool prices firming up, buying should be more in evidence. Most of the foreign orders are coming from Central Europe, business with the United States and Canada being very quiet.

Other Textiles

Belfast.—Irish flax has been in fair demand at steady prices. There has been a good sale for yarns, especially tows and medium line numbers, and some mills have had to refuse business. Prices are very firm. More business is being done in cloths, and prospects are brighter.

Dundee.—Though much had been expected from the lessened production of jute cloth by the Calcutta mills, the result so far has been disappointing. Small orders are being secured, but there is still lack of demand for large quantities.

Dunfermline.—The outlook in the Fifeshire linen trade is a little brighter, but no great volume of business is passing yet. Prices are now wholly in favour of buyers, and it hardly seems possible that producers can continue to manufacture at the present level, especially in view of the uncertain position of the raw material.

Clothing

Leicester.—There is some improvement in ladies' fancy outerwear, but otherwise business is very little better, and there is much unemployment.

Luton.—The recent fine weather has had a good effect on the ladies' hat trade, and factories are busier than of late. There is still considerable foreign competition.

Leather and Boots

Leicester.—There is a slight improvement in the boot and shoe trade, and if dry weather continues there should be a much better demand for shoes before Easter.

Northampton.—Demand for leather is poor, as manufacturers are buying for their immediate needs, but there has been some activity in fancy leathers. Prices are fairly stable. A few boot and shoe factories report slightly increased activity on account of the demand for seasonal goods, fancy footwear predominating, but the Spring trade is not up to expectations.

Walsall.—The depression in the fancy leather trade continues, but there is still a satisfactory demand for sports goods. While no actual improvement can be reported in the tanning industry, the cost of raw hides has risen slightly, and there is a suggestion of a tendency towards firmer prices.

Shipping

Hull.—Demand for tonnage is limited and rates are low, with the exception of those for the Mediterranean, which are a little stronger.

Liverpool.—A quiet tone has ruled in grain chartering in all sections, and rates show no quotable change.

Newcastle-on-Tyne.—Chartering is steady, particularly to the Mediterranean. For long distance ports fixtures have been done at quite a reasonable advance on last month's figures.

Newport.—There is little demand for tonnage and seventeen ships are still laid up in the docks.

Edinburgh.—About thirty vessels were on loading turn at the Forth coaling ports towards the end of March, most of them being at Methil, Fife. At the port of Leith the dock returns have lately reflected exceedingly poor trade in all directions, grain imports in particular having contracted.

Glasgow.—Rates for coal from ports in Scotland were quoted sparingly during the past month, owing to the scarcity of orders held by shippers. The general tone was steady, but apart from a slight improvement in the coasting trade the market was largely nominal.

Foodstuffs

Liverpool.—There has been a quiet month's trading in wheat, and prices have been on the easy side. There were fairly heavy sales of Australian wheat, but little pressure to sell from other quarters was experienced. Demand from millers in this country was slow, and there are complaints that in spite of low prices for flour and breadstuffs, consumption on the part of the public shows a falling off both in this country and on the continent. The supply situation remains unchanged. Crop conditions generally are reported favourable, particularly so in the case of the United States winter wheat crop. Plate maize has been in very good demand, and as the result of much smaller shipments, a sharp upturn in quotations occurred in the middle of March. The condition of the new Argentine crop is reported to be ideal. During the past month continental bacon was in smaller supply, and sold well at somewhat advanced prices. American bacon and hams were in moderate supply, and a larger demand resulted in a small improvement in quotations. Lard prices also rose a little. The butter trade was quieter owing to heavier continental supplies with consequently lower prices. Colonial descriptions were in steady demand. Business in cheese dragged, and owing to recent wintry weather conditions consumption lessened. In the canned goods section meats were a slow sale, but fruits were in moderately good demand, quotations in each case remaining unchanged.

Fishing

Lowestoft.—The quantity of fish landed in Great Britain in February amounted to 54,290 tons valued at £1,257,794. Compared with February, 1930, a decrease of 6,047 tons is shown, but values were £38,856 higher in the aggregate.

West of England.—In Mounts Bay during the past month fishing has not been so good as for the corresponding period last year. The local boats began long lining in the last week of February, and catches for that week were from £88 down per boat for two shots. The outlook is now promising, as fairly good catches are being brought to port, £52 to £28 per boat being earned for one night's fishing. The mackerel fishing has been poor until recently, but conditions are now brighter, and catches of from 9,000 down have been landed, prices ranging

from 44s. to 29s. per 100. At Brixham the bad weather prevailing during February prevented the fleet from going to sea for more than half the month. In consequence landings were half the normal, but good prices were obtained for the fish available.

Scotland.—At the East Coast fishing ports there have been fair supplies of white fish, but although demand has been keen prices have been slightly easier. The herring fishing continues to be fairly successful with prices at a high level.

Other Industries

Chemicals.—A slight improvement is noticeable, which it is hoped will continue.

Paper-making and Printing.—The Edinburgh paper-making trade is if anything a little easier, but most of the mills continue to be well employed and there is not much idle time. The printing trade has shown some little activity with the advent of the Spring publishing season and also with some slight increase in commercial work, but conditions are as yet not too good.

Pottery.—Conditions remain extremely dull. Fortunately, there will be no stoppage of work in the industry, the lock-out notices having been withdrawn. It has been mutually agreed between the employers and the operatives that the dispute on wages shall be subjected to arbitration.

Timber.—Hull trade has been quiet, the bad weather having hindered building operations and caused a falling off in consumption. There are, however, many building schemes in hand which should cause a brisk demand from now onwards. Stocks of suitable sizes are lower than normal, and good joinery sizes are scarce. The heavy trades are quiet, but there is some call for casewood. Spot prices are steady at the lower levels governed by the fixed re-selling prices for Russian goods. The F.O.W. market is quiet except for Russian goods, about 200,000 Stds. of which have been already placed. Sweden and Finland are only selling small quantities as they are still holding for higher prices than the Russian figures.

Dominion Reports

Australia

From the National Bank of Australasia Limited.

Seasonal conditions are favourable on the coast, but rain is needed in some interior districts in Queensland. Wheat is

moving freely, and wool is in strong demand at better prices, but butter exports are now slowly contracting. Exports generally are stimulated by the depreciation of the Australian pound, and imports have been reduced by 50 per cent. Internal business remains difficult.

Canada

From the Imperial Bank of Canada.

Partly owing to seasonal causes, business is more active than at the end of 1930, particularly in the textile, automobile and some other manufacturing industries. It is believed that the tariff policy of the present Government will lead to the establishment of new industrial plants in Canada, and it is hoped that employment will also be benefited by new railway extension and replacement programmes. Conditions in the newsprint industry continue unsatisfactory.

India

Bombay mail advices recorded a definite improvement in raw cotton prices during February, due partly to a stronger statistical position, and partly to a bigger demand for Indian growths by Japanese and Continental spinners. There was a good demand for local piece-goods at better prices. Sales of Manchester goods were still restricted by picketing, and the development of the political situation was being keenly watched by traders. Rainfall has been satisfactory except in Bengal and the Punjab, and crop prospects are hopeful.

Irish Free State

Since the recent improvement in the weather good progress has been made with farm work. There has been some demand for choice heifers and bullocks at firmer prices, but there is no sale for heavy or poor quality beasts. It is believed that the coming budget will contain plans for helping farmers, but their exact form is still uncertain.

Foreign Reports

France

From Lloyds & National Provincial Foreign Bank Limited.

The budget covering the financial year which commences on the 1st April next provides for an expenditure of 500 million

francs more than that of the financial year now ending. It was voted on the 11th March, and may be summarised as follows :—

		Fcs.
Estimated Receipts	.. ..	50,753,631,435
Estimated Expenditure	.. ..	50,742,081,650
Estimated Surplus	.. ..	Fcs. 11,549,785

The latest official figures show that 44,644 people are on the registers for unemployment benefit. Last year, at the same period, the number of registered unemployed was 1,593. There has been a decided slowing down in business on the Bourse, and prices have fluctuated between narrow limits. The settlement again revealed fairly large bear positions, contango rates remaining low. Brokers consider that a resumption of the January recovery will depend on some improvement in genera business conditions.

Bordeaux.—The wine situation is unchanged. Bad weather has seriously impeded the work necessary at this time of the year, and growers fear that the wet will facilitate the development of blight. Old wines are still in demand. The rosin market has lately completely changed, and prices have risen in sympathy with the American market. As French sellers do not seem to be completely covered, while stocks are being reduced, this upward tendency is expected to continue.

Le Havre.—Cotton prices are about 10 points better than a month ago, and the tone of the market remains firm. Merchants continue to receive orders on a fairly large scale for distant deliveries, and spinners are inclined to take advantage of present prices.

Lille.—There has been no improvement in the textile trades, and buyers are still displaying reluctance. Export business is difficult, as French cost prices are heavy in comparison with those of foreign competitors. Stocks of cotton, yarn and cloth are heavy, and output is curtailed. Much uncertainty is felt as to how far acreage in America is being reduced. The jute market is firm but quiet, and trade is no better. Enquiries for local flax are limited, and the Italian hemp market is dull. The bulk of the crop, however, has been sold.

Roubaix.—The sharp recovery in wool prices has made the situation much more hopeful. Some combers as yet are not working to capacity, but this is due to the fact that up to a few

weeks ago French wool purchases were below the average. More wool, however, will soon be coming forward, and combers should be fully employed during the summer. Top-makers seem at last to have turned the corner. Spinners at the moment are fairly well placed, but few have enough orders to keep them busy for a long period. Manufacturers are, as usual, in a less satisfactory position, but even their outlook is now better.

Marseilles.—Last month's improvement in oilseed prices has continued, groundnuts having risen by 27s. 6d. per ton. Business is better and the tone more hopeful. Olive oil prices have also risen, and there has been a steady sale for all qualities of oils with an increased demand from English buyers.

Belgium

From Lloyds & National Provincial Foreign Bank Limited.

Brussels.—Orders in the Iron and Steel trades remain very poor, and prices have fallen. The recent cold weather improved trade in house coal, but demand for industrial fuel is no better. The glass industry is a little better and stocks are not increasing. Prices on the Stock Exchange remain very weak, with the exception of gilt-edged securities, which are still firm.

Germany

From the Bank of British West Africa Limited.

Exports for February at RM 778 millions, including reparation deliveries, exceeded imports by RM 150 millions. Allowing for the fact that February had 24 working days as against 26 in January, the increase in exports amounted to more than 9 per cent. A considerably more optimistic view as to the future, based to some extent on the assumption that French capital is likely to seek an outlet in this country, has led to an improvement of prices on the Bourse, the Berliner Tageblatt share index having risen from 81·2 on 13th February to 87·4 on 13th March. Money rates have fallen as a result of increased offers of short term foreign loans and sales of foreign currency in connection with foreign purchases of German securities. The Berlin private discount rate has declined to $4\frac{3}{4}$ per cent. A further increase in the number of unemployed has occurred. At the end of February the total stood at nearly 5,000,000. It has been suggested that as a result of the negotiations initiated during the visit of the German industrialists to Russia, a programme involving the employment of 175,000 German workmen

will be carried out, but in the past the hopes founded on arrangements with Russia have usually been disappointed.

Holland

Such Company reports as have so far appeared suggest that the situation is better than had been anticipated, but it must be remembered that none of the big industrial concerns or the banks have yet published their reports for last year, and so it is difficult to gain a reliable impression of the extent of the depression. Again, little information is as yet forthcoming as to the year's results in the Dutch East Indies, and considerable apprehension is being felt. At home, agriculture is still depressed. Attempts are being made to assist the sugar industry by means of a bounty to beet growers. The proposals, however, are considered to be too limited, and it is feared that the acreage under beet will be reduced.

Norway

The timber trade is extremely dull and depressed, as buyers continue to offer unacceptable prices. Most home industries are also having to restrict output through lack of orders. The whaling season has now closed. During its currency a record number of whales were caught, and new and enormous areas of ocean were covered. A general agreement as to prices is, in the opinion of many authorities, urgently needed.

Sweden

Timber sales to the middle of March amounted to only 130,000 standards, against 450,000 standards to the same date a year ago. Prices have been weak. Sales of cellulose pulp have been maintained, and further contracts in strong sulphite pulp have been concluded at unchanged prices. The market for mechanical pulp has been quiet, and conditions in the paper industry are unchanged.

Denmark

The depression has become intensified, and in the middle of March there were grave fears of general labour troubles. Freights have again fallen, and 15 per cent of the nation's tonnage is now laid up. Prices of agricultural produce are no

better, and there were 75,613 workers unemployed at the end of February.

Switzerland

From Lloyds & National Provincial Foreign Bank Limited.

The general situation is virtually unchanged. Foreign trade returns for the year to date show further declines, and there has been a slight seasonal increase in unemployment. On the Bourse Swiss bonds have been a steady market, and several Cantonal authorities have carried out successful refunding operations.

Spain

A better tone was evident on the Madrid Bourse, as a result of the formation of the new Government. It is understood that the question of the " de jure " stabilisation of the peseta will be referred to Parliament. Railway employees are among the worst remunerated in Spain, and the rise in the cost of living has focussed public attention on railway problems. A mixed commission, appointed by the previous government to study the claims of the men and the counterclaims of the companies, failed to arrive at a conclusion, but the intervention of the Minister of Public Works has resulted in slight increases being granted to certain grades. The Banco Exterior de España, which in December successfully completed its first year, has recently opened a branch in Valencia, and it is hoped that the assistance already rendered to Spanish commerce, and particularly to the export trade, will now be available to the fruit district of the East coast. New Capital Issues in Spain during 1930 amounted to 725 million pesetas, the lowest figure since 1915. 476 million pesetas consisted of securities bearing a fixed rate of interest, 306 million pesetas being issued at a rate of 6 per cent.

Morocco

From the Bank of British West Africa Limited.

Good rains have lately fallen in the North, and the crop outlook is promising. Markets consequently possess a better tone, though purchasing power is still limited, and demand centred chiefly on the cheaper classes of goods. Credit is a little easier. The depression in the motor car trade continues,

and demand for boots and shoes and hosiery is bad. The tourist season has been disappointing.

The United States

Commodity prices are steadier, and the business tone more hopeful. Unemployment has declined slightly, and February witnessed fewer commercial failures than did January. In the iron industry, six new furnaces were blown in during February, and the daily output of pig iron rose from 55,300 tons in January to 60,950 tons in February. Steel mill operations improved to 52½ per cent of capacity, and the daily output of steel rose from 91,971 to 105,305 tons. Reports from the cotton belt are variable, but sales of cotton goods were well in excess of production, and stocks have been reduced by 10 per cent.

South America

From the Bank of London & South America Limited.

Buenos Aires.—There is a better tone in business, with a good export trade. The maize crop promises to be a record, and may exceed 10,000,000 tons.

Montevideo.—The cattle market is dull and prices have fallen by 10 per cent since January. The wool market is active and prices are higher. 115,000 bales have been sold, and there is keen competition for the 15,000 bales still outstanding.

Valparaiso.—Exchange is steady, and business conditions satisfactory.

Bogota.—The February rains proved disappointing, but coffee crop prospects are good, and the general business tone optimistic.

Japan.

Exports for February totalled Y 91,000,000 and imports Y 97,000,000. There was a small influx of bullion during the month. Money has been easy, and bond and share prices firmer. Sales of raw silk have remained satisfactory. Curtailment of production took effect on 1st March, and existing stocks are to be disposed of gradually under the guarantee scheme. It is hoped that 5,000 bales will be so sold each month. Demand for cotton yarn and cloth is satisfactory.

Banking

1. BANK OF ENGLAND

Date.	Issue Department.		Banking Department.				
	Gold.	Notes in circulation.	Reserve and Proportion.		Bankers' Deposits.	Govt. Securities.	Discounts & Advances
1930.	£ mn.	£ mn.	£ mn.	Per cent.	£ mn.	£ mn.	£ mn.
March 26 ..	*155.1*	*352·3*	*63·7*	*58·1*	*54·9*	*44·8*	*6·1*
1931.							
Feb. 25 ..	140·8	347·7	53·9	49·6	59·1	36·7	8·5
March 4 ..	140·9	350·7	51·0	47·3	66·6	34·4	10·6
March 11 ..	140·9	350·3	51·4	50·6	59·3	30·4	9·2
March 18 ..	142·0	347·3	55·5	53·6	59·8	28·9	8·0
March 25 ..	143·6	348·8	55·7	55·2	57·7	27·7	11·4

2. TEN CLEARING BANKS

Date.	Deposits.	Acceptances.	Cash.*	Call Money.	Bills.	Investments.	Advances.
1930.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.	£ mn.
February	*1,751·1*	*159·9*	*234·7*	*129·6*	*220·4*	*244·0*	*988·3*
September ..	1,800·7	117·8	233·0	136·2	285·7	270·1	941·9
October	1,827·7	116·4	239·7	145·2	297·9	272·1	938·8
November ..	1,838·0	116·3	238·1	138·9	311·4	279·9	935·4
December ..	1,875·8	117·5	261·5	144·0	321·5	284·7	928·7
1931							
January	1,873·3	115·0	243·7	144·3	329·7	296·9	923·9
February	1,819·6	121·4	233·7	115·9	301·2	309·4	924·9

* Includes balances with other banks and cheques in course of collection.

3. LLOYDS BANK. RATIO OF CURRENT ACCOUNT CREDIT BALANCES TO TOTAL DEPOSITS

Year.	Ratio.	Month.	Ratio.		
			1929	1930	1931
			%	%	%
1902	58·2	January	46·8	45·1	45·9
1914	49·9	February	45·9	44·2	45·1
1919	60·7	March	45·2	44·5	
1920	56·7	April	44·9	45·1	
1921	50·7	May	44·1	44·0	
1924	51·0	June	44·5	44·4	
1925	49·6	July	45·4	44·7	
1926	48·6	August	45·3	44·4	
1927	47·4	September	45·3	44·7	
1928	46·4	October	45·6	44·8	
1929	45·2	November	44·7	44·8	
1930	44·7	December	45·3	46·0	

Money, Exchanges and Public Finance

1. LONDON AND NEW YORK MONEY RATES

Date.	London. Bank Rate.	London. 3 Months' discount Rate.	London. Day-to-day Loans.	New York. Re-discount Rate.	New York. 90 Days' eligible Bank acceptances.	New York. Call Money.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
1930.						
March 26 ..	*3½*	*2 3/16*	*2½—¾*	*3½*	*2⅞*	*3½*
1931.						
Feb. 25 ..	3	2¾—25/32	2 —2½	2	1⅝	1½
March 4 ..	3	2⅝—21/32	1½—2	2	1⅝	1½
March 11 ..	3	2⅝—21/32	2 —2¼	2	1⅝	2
March 18 ..	3	2 19/32—⅝	2 —2¼	2	1⅝	1½
March 25 ..	3	2 9/16	2 —2¼	2	1⅝	1½

2. FOREIGN EXCHANGES

London on	Par.	1930. Mar. 26.	1931. Feb. 25.	1931. Mar. 4.	1931. Mar. 11.	1931. Mar. 18.	1931. Mar. 25.
New York	$4·866	4·86 13/16	4·85 27/32	4·85 11/16	4·85 23/32	4·85 29/32	4·85⅞
Montreal	$4·866	4·86 15/16	4·85⅞	4·85 11/16	4·85 13/16	4·86	4·86 1/16
Paris ..	Fr. 124·21	124·28	123·97	124·00½	124·14½	124·19	124·18
Berlin ..	Mk. 20·43	20·38¼	20·43⅜	20·43½	20·40½	20·39¼	20·38⅞
Amsterdam	Fl. 12·11	12·12½	12·11	12·11⅞	12·11⅞	12·11⅞	12·12
Brussels	Bel. 35	34·88	34·84¼	34·84½	34·85¾	34·88½	34·90¾
Milan ..	Li. 92·46	92·89	92·78½	92·72½	92·74	92·74½	92·75½
Berne ..	Fr. 25·22⅛	25·14	25·21½	25·23¼	25·24¾	25·25½	25·25
Stockholm	Kr. 18·16	18·09¾	18·14¾	18·13½	18·14¾	18·14½	18·14¼
Madrid	Ptas. 25·22½	39·05½	46·65	45·17½	44·40	46·92½	45·37½
Vienna ..	Sch. 34·58½	34·55	34·57½	34·56½	34·56½	34·56½	34·56½
Prague ..	Kr. 164·25	164 5/32	164	163 15/16	164	163 15/16	163 15/16
Buenos Aires	47·62d.	42 11/32	36 31/32	37 5/16	38 31/32	39⅛	39 3/32
Rio de Janeiro	5·89d.	5 25/32	4 3/16	4 1/16	4 1/32	4	3 31/32
Valparaiso	Pes. 40	39·94	39·92	39·94	39·91	39·92	39·92
Bombay	18d.	17⅞	17 25/32	17 25/32	17 27/32	17 27/32	17⅞
Hong Kong	—d.	18⅝	11 11/32	11⅝	12½	12⅝	12 13/32
Shanghai	—d.	23¼	14⅝	14 13/16	16 3/16	16⅜	16

3. PUBLIC REVENUE AND EXPENDITURE

Revenue.	To Mar. 21, 1931.	To Mar. 22, 1930.	Expenditure.	To Mar. 21, 1931.	To Mar. 22. 1930.
Income Tax ..	239·6	225·5	Nat. Debt Service ..	290·8	307·0
Sur-Tax	59·7	50·6	Local Taxation a/c payments	—	1·2
Estate Duties ..	80·1	77·5	Northern Ireland payments	5·7	4·9
Stamps	18·1	22·9	Other Cons. Fund Services	2·8	2·9
Customs	118·1	117·3	Supply Services	412·3	355·6
Excise	122·8	126·6	Ordinary Expenditure ..	711·6	682·5
Tax Revenue ..	644·5	626·7	Sinking Fund	62·0	46·6
Non-Tax Revenue..	94·3	78·4	Self-Balancing Expenditure	79·8	78·7
Ordinary Revenue	738·8	705·1			
Self-Balancing Revenue	79·8	78·7			

Trade

1. PRODUCTION

Date.	Coal.*	Pig-iron.	Steel.
1930.	Tons mn.	Tons thou.	Tons thou.
February	*5·5*	*597*	*776*
September	4·6	425	581
October	4·7	415	513
November	4·9	384	434
December	4·6	350	337
1931.			
January	4·4	337	402
February	4·8	320	486

* Average weekly figures for month.

2. IMPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1930.	£ mn.	£ mn.	£ mn.	£ mn.
February	*37·3*	*24·0*	*25·8*	*88·2*
September	36·7	16·5	24·6	78·7
October	44·1	18·1	27·7	90·9
November	40·6	16·5	21·6	79·4
December	44·4	20·6	23·8	89·6
1931.				
January	36·2	17·9	20·4	75·6
February	30·0	13·3	19·5	63·6

3. EXPORTS

Date.	Food.	Raw Materials.	Manufactured Goods.	Total.
1930.	£ mn.	£ mn.	£ mn.	£ mn.
February	*3·7*	*5·8*	*41·2*	*51·9*
September	4·2	5·0	32·1	42·7
October	4·4	5·3	35·9	46·9
November	4·8	4·7	32·7	44·1
December	3·5	4·7	27·6	38·5
1931.				
January	3·7	3·7	28·7	37·6
February	2·8	3·8	24·0	31·8

4. UNEMPLOYMENT

Date.	1926.	1927.	1928.	1929.	1930.	1931.
	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.	Per cent.
End of—						
January ..	11·0	12·0	10·7	12·2	12·6	21·5
February ..	10·4	10·9	10·4	12·2	13·1	21·7
March ..	9·8	9·8	9·5	10·1	14·0	
April ..	9·1	9·4	9·5	9·9	14·6	
May ..	14·3	8·7	9·8	9·9	15·3	
June ..	14·6	8·8	10·7	9·8	15·4	
July ..	14·4	9·2	11·6	9·9	16·7	
August ..	14·0	9·3	11·6	10·1	17·1	
September ..	13·7	9·3	11·4	10·0	17·6	
October ..	13·6	9·5	11·8	10·4	18·7	
November ..	13·5	9·9	12·1	11·0	19·1	
December ..	11·9	9·8	11·2	11·1	20·2	

Percentage of Insured Workers.

Prices

1. WHOLESALE PRICES (average for month)

Date.	Index Number (1928–9 average = 100).				
	U.K.	U.S.A.	France.	Italy.	Germany.
1930.					
February	*91·9*	*95·5*	*91·5*	*91·1*	*93·2*
September	80·4	85·8	86·2	81·6	89·0
October	78·4	85·1	83·5	79·2	86·5
November	78·0	83·8	81·9	77·7	87·0
December	75·6	82·0	80·2	75·6	84·8
1931.					
January	73·9	80·0	79·2	74·1	82·8
February	72·5	78·4	78·9	73·3	82·2
February, 4th week	72·4	78·1	78·6	73·0	82·3
March, 1st week	72·2	78·3	78·6	72·9	82·1
„ 2nd week	72·1	78·3	78·4	73·0	82·4
„ 3rd week	72·2	78·3	78·7	73·0	82·4
„ 4th week	72·4	77·9	—	73·0	81·8

Sources: U.K., "Financial Times"; U.S.A., Irving Fisher; France, Statistique Générale; Italy, Italian Chamber of Commerce; Germany, Statistische, Reichsamt.

2. RETAIL PRICES (end of month)

Date.	Food.	Rent (including rates).	Clothing.	Fuel and Light.	Other items included.	All items included.
1930.						
February ..	*50*	*52*	*115*	*75*	*80*	*61*
September ..	43	53	105—110	70—75	75	56
October ..	44	53	105—110	70—75	75	57
November ..	41	54	105	75	75	55
December ..	38	54	105	75	75	53
1931.						
January ..	36	54	100—105	75	75	52
February ..	34	54	100	75	75	50

The figures represent the percentage increase above July, 1914, which is equal to 100.

3. COMMODITY PRICES (average for month)

Date.	Wheat, No. 1 N. Manitoba.		Cotton, American Middling.	Wool, 64's tops avge.	Pig Iron, Cleveland No. 3.		Tin, Standard Cash.	Rubber, Plantation Sheet.
1930.	Per qr.		Per lb.	Per lb.	Per ton.		Per ton.	Per lb.
	s.	d.	d.	d.	s.	d.	£	d.
February ..	*49*	*0*	*8·51*	*28½*	*72*	*6*	*173 13/16*	*7⅜*
September ..	34	5¼	6·22	27	63	6	132 11/16	4⅛
October ..	31	9	5·81	24⅜	63	6	117 3/16	3⅞
November ..	30	1	6·07	24	63	6	113 3/16	4⅛
December ..	27	3	5·41	22½	63	6	111⅞	4⅛
1931.								
January ..	26	6	5·42	21¼	59	6	115⅝	4¼
February ..	28	0	5·86	22	58	6	118	3⅞